

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 XMB-02 OPIC-03 COME-00 AGR-05

TRSE-00 L-03 CIAE-00 INR-07 NSAE-00 NSC-05 SS-15

STR-04 /059 W

----- 046960

R 120600Z AUG 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 763

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY MANILA

LIMITED OFFICIAL USE PORT MORESBY 0794

PASS EXIM BANK, OPIC AND COMMERCE

E.O. 11652: NA

TAGS: EAGR, PP

SUBJ: PARSONS AND WHITTEMORE TO RENEW NEGOTIATIONS ON \$350
MILLION VANIMO TIMBER PROJECT

REF: PORT MORESBY 48

1. PARSONS AND WHITTEMORE WILL RETURN TO THE NEGOTIATING TABLE SHORTLY TO DISCUSS ITS PARTICIPATION IN THE US\$350 MILLION VANIMO TIMBER PROJECT. IT APPEARED EARLIER (SEE REFTEL) THAT P/W HAD LOST OUT DUE TO NIDA INSISTANCE THAT P/W WOULD NOT MEET MINIMUM CONDITIONS SET BY GPNG. RESUMPTION OF TALKS WILL TAKE PLACE ONCE ISSUE OF SOLE OTHER POTENTIAL INVESTOR, HYUNDAI OF SOUTH KOREA, IS RESOLVED. HYUNDAI REPORTEDLY DRAWING ON IFC FUNDS TO MAKE ITS BID CREDIBLE. P/W AND HYUNDAI NOW HOLDING DISCUSSIONS AND NIDA OFFICIAL EXPECTS RESOLUTION IN P/W FAVOR BY ABOUT AUGUST 15. P/W EXPECTED TO TAKE A GREATER EQUITY PARTICIPATION AND BE MORE "REALISTIC" IN ITS DEMANDS THAN IN EARLIER NEGOTIATIONS.

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2. MAGNITUDE OF PROJECT HAS JUMPED DRAMATICALLY FROM

1973 FIGURE OF US\$150 MILLION TO PRESENT US\$350 MILLION.
ENTIRE INCREASE DUE TO INFLATION AND SKYROCKETING TRANSPORT
COSTS. GPNG NEGOTIATING TEAM WILL INCLUDE REP FROM
VILLAGES IN AREA AS WELL AS FORESTS, LAW AND FINANCE.
NEGOTIATIONS, ONCE BEGUN, ARE NOT EXPECTED TO BE PRO-
TRACTED DESPITE COMPLEXITY OF ISSUES INVOLVED.

3. COMMENT: NIDA WILL HANDLE NEGOTIATIONS RATHER THAN
FORESTS WHICH HAS BEEN UNDER CONSIDERABLE FIRE LATELY
FOR "GIVING AWAY" PNG'S TIMBER RESOURCES. (THIS IS A
REVERSAL OF RECENT NEGOTIATION TEAMS AND SHOWS INCREASING
INFLUENCE OF NIDA.) BRUCE JEPHCOTT, MINISTER FOR NATURAL
RESOURCES, FELT COMPELLED TO MAKE A MAJOR PUBLIC STATEMENT
IN ATTEMPT TO REFUTE THE WIDESPREAD CRITICISM. HE WAS ONLY
PARTIALLY SUCCESSFUL. SEVERAL UN CONSULTANTS HAVE ALSO BEEN
CRITICAL OF EARLIER DEALS WHICH SEEM TO PROVIDE FEW BENEFITS
TO PEOPLE OR GOVERNMENT OF PNG.

4. NIDA OFFICIAL ALSO SAID IF NEGOTIATIONS SUCCESSFUL, CONGEN
WOULD BE APPROACHED TO LEND ASSISTANCE IN OBTAINING U.S.
LOAN FUNDS THROUGH EXIM BANK AND GUARANTEED BY OPIC. END
COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIMBER, NEGOTIATIONS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PORTM00794
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750279-0262
From: PORT MORESBY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750860/aaaacayp.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 PORT MORESBY 48
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUL 2003 by CunninFX>; APPROVED <12 NOV 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PARSONS AND WHITTEMORE TO RENEW NEGOTIATIONS ON \$350 MILLION VANIMO TIMBER PROJECT
TAGS: EAGR, PP, (PARSONS), (WHITTEMORE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006